

SHOBHIT NIRWAN's
DESIGNED



SECTORS OF INDIAN ECONOMY

NEW NOTES FOR CLASS 10 2022 EXAMS

**Including NCERT Line-By-Line Questions
PYQs in MCQ Format
CBSE Sample Paper
Flowchart**

Sectors of Economic Activities

Primary

Secondary

Tertiary

Sectors in India

- Importance of Tertiary Sector
- Underemployment / Disguised Employment
- Ways to create more employment
- NREGA

Sectors of Indian Economy

Organised and Unorganised Sector

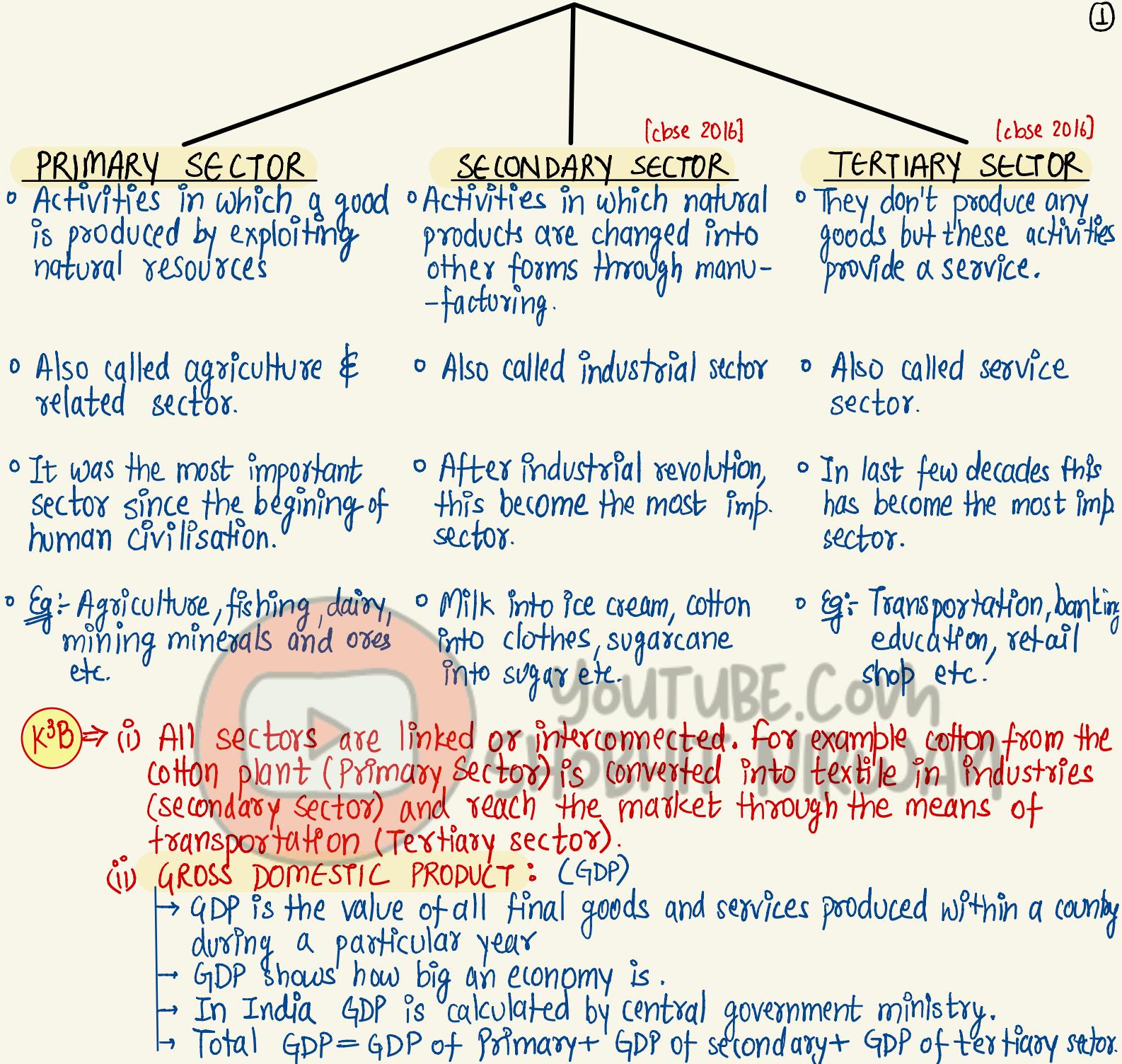
How to protect the Unorganised Sector

- In Rural Areas
- In Urban Areas
- Backward Communities

Sectors on basis of Ownership

Public

Private



Sectors in India

Importance of Tertiary Sector : [cbse 2019]

- Tertiary sector has emerged as the largest producing sector in India because -
- Government has developed hospitals, school, courts, banks, police, army etc. which are basic need of a country and are part of tertiary sector.
 - Development in primary and secondary sector has led to development of tertiary sector as they are interdependent.
 - Rise in income level of people has increased the demand of eating out, shopping, movies, tourism etc. which are part of tertiary sector.
 - New services based on information and communication technology (internet) have become essential and important. These services are growing rapidly.
 - Green Revolution also gave boost to tertiary sector.

Underemployment / DISGUISED EMPLOYMENT : [cbse 2016]

When more people are working than is needed, this situation is called under-employment or disguised unemployment.

For example:

- In rural areas, all family members work in same field.
- In urban areas, there are many rickshaw pullers, cart pullers selling something, thousand of casual workers in service sector, where they may spend the whole day but earn very little.

Therefore, there is a need for generating Employment in different sectors.

Ways to create more employment : [cbse 2020]

- Government can provide cheap loans to farmers so they can do farming with best equipments and practice multiple cropping to remain employed throughout the year.
- Government can invest money in transportation and construct new roads, this will create employment for labours and taxi drivers.
- Government can locate industries near rural areas where a large number of people can be employed in the factories.
- Only 52% children go to school, if more schools are constructed, teachers are appointed. It can create more than 20 lakh jobs.
- If tourism as a sector is improved it can generate more than 35 lakh jobs.

National Rural Employment Guarantee Act (NREGA) :-

- NREGA was formulated in 2005, later on its name changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- Under NREGA, all those in need of work are guaranteed 100 days of employment in a year by government.
- If the government fails to provide employment it will give unemployment allowances to the people.
- It is now in 625 districts and is also referred as right to work.

Organised and Unorganised Sector [cbse 2018]

Organised Sector :

- Organised sector enterprises are registered by government and have to follow all the rules.
- Workers have job security (can't be fired without proper reasons) and get pension when they retire.
- Offices have good working conditions and safe environment.
- Here people have fixed amount of work hours and if they work overtime they get paid extra for it.
- Get benefits like paid leave, payment during holidays, provident fund etc.

- Eg: Government jobs, schools, banks etc.

Unorganised Sector:

- Unorganised sector enterprises are not registered with the government and rules and regulations are violated by them.
- Workers don't have job security (can be fired anytime) and do not get pension when they retire.
- People sometimes have to work in dangerous work environment without any safe equipment.
- Here people don't have fixed work hours and nothing extra is paid for overtime.
- No paid leave, holidays or leave due to sickness.

How to protect the Unorganised Sector

- In Rural Areas - Small and medium farmers can be supported by timely and adequate delivery of seeds, cheap loans, storage facilities and good market price of their harvest.
- In Urban Areas - Labours and small industries can be supported with good labour laws and favourable policies for small industries.
- Backward Communities - A large no. of people from backward communities work in unorganised sector. They can be protected if they don't face any discrimination based on their caste or background.

Sectors on the basis of ownership

PUBLIC SECTOR

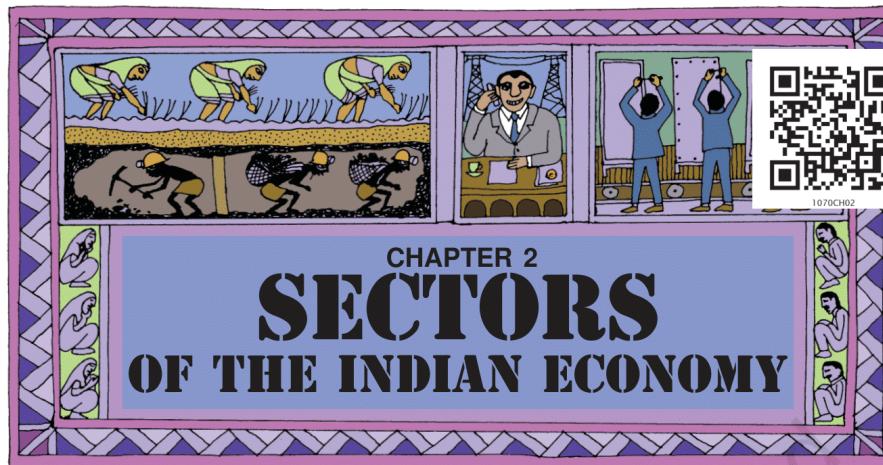
- All assets and responsibility of service is owned by government.
- Their goal is to serve people.
- Eg: Government schools, hospitals, post office, army etc.

PRIVATE SECTOR

- All assets and responsibility of service is owned by an individual in a group.
- Their goal is to make profit and earn money.
- Eg: Reliance, Google, apple, tata etc.

Q Why Basic facilities like water supply, railway, health etc are part of public sector and not of private sector?

Ans: (i) Because these things require spending large amount of money.
(ii) Private sector won't provide these things at a reasonable cost like the government does.



SECTORS OF ECONOMIC ACTIVITIES

Let us look at these pictures. You will find that people are engaged in various economic activities. Some of these are activities producing goods. Some others are producing services. These activities are happening around us every minute even as we speak. How do we understand these activities? One way of doing this is to group them (classify them) using some important criterion. These groups are also called sectors.



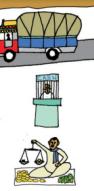
- Q1. Primary sector is also known as?**
- Q2. Secondary sector is also known as?**
- Q3. Tertiary sector is also known as?**

**Primary
(Agriculture)
Sector**



produces natural goods

**Tertiary
(Service)
Sector**



helps to develop other sectors

called **agriculture and related sector.**

**Secondary
(Industrial)
Sector**



produces manufactured goods

The **secondary sector** covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after primary. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. This could be in a factory, a workshop or at home. For example, using cotton fibre from the plant, we

We begin by looking at different kind of economic activities.

There are many activities that are undertaken by directly using natural resources. Take, for example, the cultivation of cotton. It takes place within a crop season. For the growth of the cotton plant, we depend **mainly, but not entirely**, on natural factors like rainfall, sunshine and climate. The product of this activity, cotton, is a natural product. Similarly, in the case of an activity like dairy, we are dependent on the biological process of the animals and availability of fodder etc. The product here, milk, also is a natural product. Similarly, minerals and ores are also natural products. When we produce a good by exploiting natural resources, it is an activity of the **primary sector**. Why primary? This is because it forms the base for all other products that we subsequently make. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called **agriculture and related sector.**

spin yarn and weave cloth. Using sugarcane as a raw material, we make sugar or *gur*. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that came up, it is also called as **industrial sector**.

After primary and secondary, there is a third category of activities that falls under **tertiary sector** and is different from the above two. These are activities that help in the development of the primary and secondary sectors. These activities, by themselves, do not produce a good but they are an aid or a support for the production process. For example, goods that are produced in the primary or secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops. At times, it may be necessary to store these in godowns. We also may need to talk to others over telephone or send letters (communication) or borrow money from banks (banking) to help production and trade. Transport, storage, communication, banking, trade are some examples of tertiary activities. Since these activities generate services rather than goods, the tertiary sector is also called the **service sector.**

Service sector also includes some essential services that may not directly help in the production of goods. For example, we require teachers, doctors, and those who provide personal services such as washermen, barbers, cobblers, lawyers, and people to do administrative and accounting works. In recent times, certain new services based on information technology such as internet cafe, ATM booths, call centres, software companies etc have become important.

COMPARING THE THREE SECTORS

The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services. Also, the three sectors have a large number of people working in them to produce these goods and services. The next step, therefore, is to see how much goods and services are produced and how many people work in each sector. In an economy there could be one or more sectors which are dominant in terms of total production and employment, while other sectors are relatively small in size.

How do we count the various goods and services and know the total production in each sector?

With so many thousands of goods and services produced, you might think this is an impossible task! Not only would the task be enormous, you might also wonder how we can add up cars and computers and nails and furniture. It won't make sense!!!

You are right in thinking so. To get around this problem, economists suggest that the values of goods and services should be used rather than adding up the actual numbers. For example, if 10,000 kgs of wheat is sold at Rs 8 per kg, the value of wheat will be Rs 80,000. The value of 5000 coconuts at Rs 10 per coconut will be Rs 50,000. Similarly, the value of goods and services in the three sectors are calculated, and then added up.

Remember, there is one precaution one has to take. Not every good (or service) that is produced and sold needs to be counted. It makes sense only to include the **final goods and services**. Take, for instance, a farmer who sells wheat to a flour mill for Rs 8 per kg. The mill grinds the wheat and sells the flour to a biscuit company for Rs 10 per kg. The biscuit company uses the flour and things such as sugar and oil to make four packets of biscuits. It sells biscuits in the market to the consumers for Rs 60 (Rs 15 per packet). Biscuits are the final goods, i.e., goods that reach the consumers.

Why are only 'final goods and services' counted? In contrast to final goods, goods such as wheat and the wheat flour in this example are intermediate goods. Intermediate goods are used up in producing final goods and services. The value of final goods **already includes** the value of all the intermediate goods that are used in making the final good. Hence, the value of Rs 60 for the biscuits (final good) already includes the value of flour (Rs 10). Similarly, the value of all other intermediate goods would have been included. To count the value of the flour and wheat



Q4. What is the value of all final goods and services produced within a country during a particular year?

OR

What is the sum of production in three sectors ?

Q5. Who looks after measuring GDP?

Q6. Which sector has become the most important in terms of total production?

separately is therefore not correct because then we would be counting the value of the same things a number of times. First as wheat, then as flour and finally as biscuits.

The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year. And the sum of production in the three sectors gives what is called the **Gross Domestic Product (GDP)** of a country. It is the value of all final goods and services produced **within a country** during a particular year. GDP shows how big the economy is.

Over a long time (more than hundred years), and especially because new methods of manufacturing were introduced, factories came up and started expanding. Those people who had earlier worked on farms now began to work in factories in large numbers. They were forced to do so as you read in history chapters. People began to use many more goods that were produced in factories at cheap rates. Secondary sector gradually became the most important in total production and employment. Hence, over time, a shift had taken place. This means that the importance of the sectors had changed.

In India, the mammoth task of measuring GDP is undertaken by a central government ministry. This Ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries. The service sector has become the most important in terms of total production. Most of the working people are also employed in the service sector. This is the general pattern observed in developed countries.

Historical Change in Sectors

Generally, it has been noted from the histories of many, now developed, countries that at initial stages of development, primary sector was the most important sector of economic activity.

What is the total production and employment in the three sectors in India? Over the years have there been changes similar to the pattern observed for the developed countries? We shall see in the next section.

As the methods of farming changed and agriculture sector began to prosper, it produced much more food than before. Many people could now take up other activities. There were increasing number of craftpersons and traders. Buying and selling activities increased many times. Besides, there were also transporters, administrators, army etc. However, at this stage, most of the goods produced were natural products from the primary sector and most people were also employed in this sector.

LET'S WORK THESE OUT

1. What does the history of developed countries indicate about the shifts that have taken place between sectors?
2. Correct and arrange the important aspects for calculating GDP from this Jumble.
To count goods and services we add the numbers that are produced. We count all those that were produced in the last five years. Since we shouldn't leave out anything we add up all these goods and services.
3. Discuss with your teacher how you could calculate the total value of a good or service by using the method of value added at each stage.

PRIMARY, SECONDARY AND TERTIARY SECTORS IN INDIA

Graph 1 shows the production of goods and services in the three sectors. This is shown for two years, 1973-74 and 2013-14. We have used the data for these two years because the data are comparable and authentic. You can see how the total production has grown over the forty years.

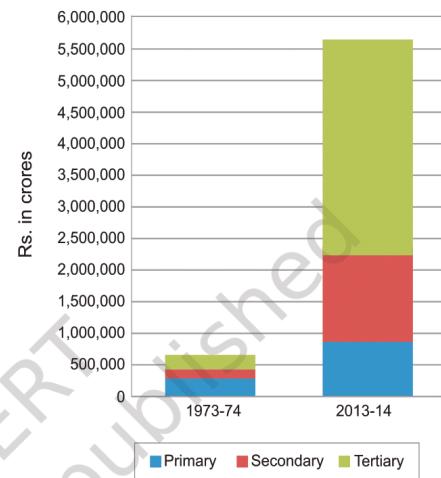
LET'S WORK THESE OUT

Answer the following questions by looking at the graph:

1. Which was the largest producing sector in 1973-74?
2. Which is the largest producing sector in 2013-14?
3. Can you say which sector has grown the most over forty years?
4. What was the GDP of India in 2013-14?

What does the comparison between 1973-74 and 2013-14 show?
What conclusions can we draw from the comparison?
Let's find out.

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



Why is the tertiary sector becoming so important in India? There could be several reasons.

First, in any country several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc. are required. These can be considered as *basic services*. In a developing country the government has to take responsibility for the provision of these services.

Second, the development of agriculture and industry leads to the development of services such as

Q7. Which sector continues to be the largest employer even now?

transport, trade, storage and the like, as we have already seen. Greater the development of the primary and secondary sectors, more would be the demand for such services.

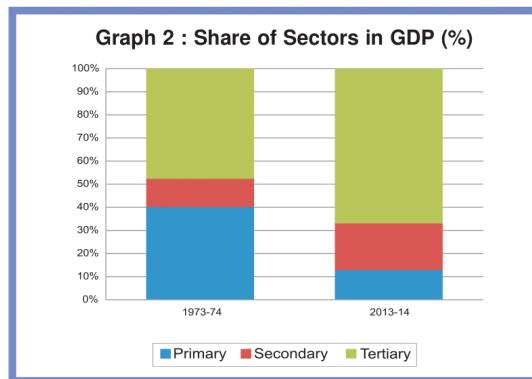
Third, as income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc. You can see this change quite sharply in cities, especially in big cities.

Fourth, over the past decade or so, certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly. In Chapter 4, we shall see examples of these new services and the reasons for their expansion.

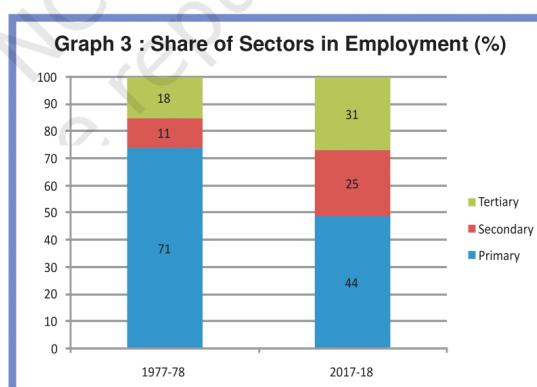
However, you must remember that not all of the service sector is growing equally well. Service sector in India employs many different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons, etc. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them. Hence, only a part of this sector is growing in importance. You shall read more about this in the next section.

Where are most of the people employed?

Graph 2 presents percentage share of the three sectors in GDP. Now you can directly see the changing importance of the sectors over the forty years.



A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment. Graph 3 shows the share of employment in the three sectors in 1977-78 and 2017-18. The primary sector continues to be the largest employer even now.



Why didn't a similar shift out of primary sector happen in case of employment? It is because not enough jobs were created in the secondary and tertiary sectors. Even

Q8. In which sector the workers are underemployed?

though industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times. The same applies to the tertiary sector as well. While production in the service sector rose by 14 times, employment in the service sector rose around five times.

As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only about one sixth of the GDP. In contrast to this, the secondary and tertiary sectors produce the rest of the produce whereas they employ less about half the people. Does this mean that the workers in agriculture are not producing as much as they could?

What it means is that there are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected. In other words, workers in the agricultural sector are **underemployed**.

For instance, take the case of a small farmer, Laxmi, owning about two hectares of unirrigated land dependent only on rain and growing crops, like *jowar* and *arhar*. All five members of her family work in the plot throughout the year. Why? They have nowhere else to go for work. You will see that everyone is working, none remains idle, but in actual fact, their **labour effort** gets divided. Each one is doing some work but no one is fully employed. This is the situation of underemployment, where people are apparently working but all of them are made to work less than their potential. **This kind of**

underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called disguised unemployment.

Now, supposing a landlord, Sukhram, comes and hires one or two members of the family to work on his land. Laxmi's family is now able to earn some extra income through wages. Since you do not need five people to look after that small plot, two people moving out does not affect production on their farm. In the above example, two people may move to work in a factory. Once again the earnings of the family would increase and they would also continue to produce as much from their land.

There are lakhs of farmers like Laxmi in India. This means that even if we remove a lot of people from agricultural sector and provide them with proper work elsewhere, agricultural production will not suffer. The incomes of the people who take up other work would increase the total family income.

This underemployment can also happen in other sectors. For example there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and others doing odd jobs. Many of them don't find work everyday. Similarly, we see other people of the service sector on the street pushing a cart or selling something where **they may spend the whole day but earn very little**. They are doing this work because they do not have better opportunities.



LET'S WORK THESE OUT

1. Complete the table using the data given in Graphs 2 and 3 and answer the question that follows. Ignore if data are not available for some years.

TABLE 2.2 SHARE OF PRIMARY SECTOR IN GDP AND EMPLOYMENT

	1973-74	1977-78	2013-14	2017-18
Share in GDP				
Share in employment				

What are the changes that you observe in the primary sector over a span of forty years?

2. Choose the correct answer:

Underemployment occurs when people

- (i) do not want to work
- (ii) are working in a lazy manner
- (iii) are working less than what they are capable of doing
- (iv) are not paid for their work

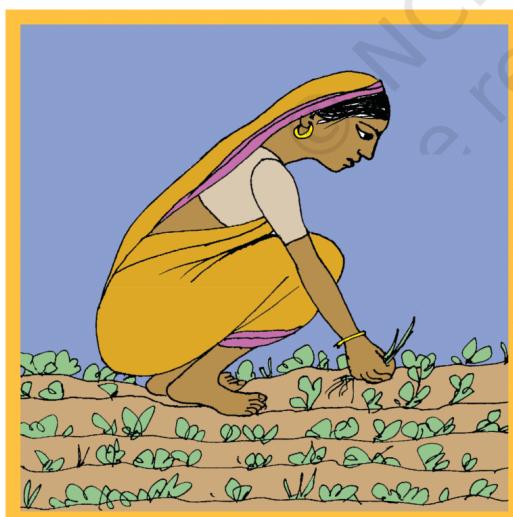
3. Compare and contrast the changes in India with the pattern that was observed for developed countries. What kind of changes between sectors were desired but did not happen in India?

4. Why should we be worried about underemployment?

How to Create More Employment?

From the above discussion, we can see that there continues to be considerable underemployment in agriculture. There are also people who are not employed at all. In what ways can one increase employment for people? Let us look at some of them.

Take the case of Laxmi with her two-hectare plot of unirrigated land. The government can spend some money or banks can provide a loan, to construct a well for her family to irrigate the land. Laxmi will then be able to irrigate her land and take a second crop, wheat, during the *rabi* season. Let us suppose that one hectare of wheat can provide employment to two people for 50 days (including sowing, watering, fertiliser



application and harvesting). So, two more members of the family can be employed in her own field. Now suppose a new dam is constructed and canals are dug to irrigate many such farms. This could lead to a lot of employment generation within the agricultural sector itself reducing the problem of underemployment.

Now, suppose Laxmi and other farmers produce much more than before. They would also need to sell some of this. For this they may be required to transport their products to a nearby town. If the government invests some money in transportation and storage of crops, or makes better rural roads so that mini-trucks reach everywhere several farmers like Laxmi, who now have access to water, can continue to grow and sell these crops. This activity can provide productive employment to not just farmers but also others such as those in services like transport or trade.

Laxmi's need is not confined to water alone. To cultivate the land, she also needs seeds, fertilisers, agricultural equipment and pumpsets to draw water. Being a poor farmer, she cannot afford many of these. So, she will have to borrow money from moneylenders and pay a high rate of

interest. If the local bank gives her credit at a reasonable rate of interest, she will be able to buy all these in time and cultivate her land. This means that along with water, we also need to provide cheap agricultural credit to the farmers for farming to improve. We will look at some of these needs in Chapter 3, Money and Credit.

Another way by which we can tackle this problem is to identify, promote and locate industries and services in semi-rural areas where a large number of people may be employed. For instance, suppose many farmers decide to grow *arhar* and chickpea (pulse crops). Setting up a *dal* mill to procure and process these and sell in the cities is one such example. Opening a cold storage could give an opportunity for farmers to store their products like potatoes and onions and sell them when the price is good. In villages near forest areas, we can start honey collection centres where farmers can come and sell wild honey. It is also possible to set up industries that process vegetables and agricultural produce like potato, sweet potato, rice, wheat, tomato, fruits, which can be sold in outside markets. This will provide employment in industries located in semi-rural areas and not necessarily in large urban centres.

What groups of people do you think are unemployed or underemployed in your area? Can you think of some measures that could be taken up for them?

Do you know that in India about 60 per cent of the population belongs to the age group 5-29 years? Out of this, only about 51 per cent are attending educational institutions. The rest and particularly those aged less than 18 years may be at home or

Gur Making in Haryana



Q9. In how many districts MGNREGA 2005 was implemented?

Q10. How many days of employment in a year is given under MGNREGA Act?

many of them may be working as child labourers. If these children are to attend schools, we will require more buildings, more teachers and other staff. A study conducted by the erstwhile Planning Commission (now known as NITI Aayog) estimates that nearly 20 lakh jobs can be created in the education sector alone. Similarly, if we are to improve the health situation, we need many more doctors, nurses, health workers etc. to work in rural areas. These are some ways by which jobs would be created and we would also be able to address the important aspects of development talked about in Chapter 1.

Every state or region has potential for increasing the income and employment for people in that area. It could be tourism, or regional craft industry, or new services like IT. Some of these would require proper planning and support from the government. For example, the same study by the Planning Commission says that if tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.

We must realise that some of the suggestions discussed above would take a long time to implement. For the short-term, we need some quick measures. Recognising this, the central government in India made a law implementing the **Right to Work**



in about 625 districts of India. It is called **Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005)**. Under MGNREGA 2005, all those who are able to, and are in need of, work in rural areas are guaranteed 100 days of employment in a year by the government. If the government fails in its duty to provide employment, it will give unemployment allowances to the people. The types of work that would in future help to increase the production from land will be given preference under the Act.

LET'S WORK THESE OUT

1. Why do you think MGNREGA 2005 is referred to as ' Right to work' ?
2. Imagine that you are the village head. In that capacity suggest some activities that you think should be taken up under this Act that would also increase the income of people? Discuss.
3. How would income and employment increase if farmers were provided with irrigation and marketing facilities?
4. In what ways can employment be increased in urban areas?

DIVISION OF SECTORS AS ORGANISED AND UNORGANISED

Let us examine another way of classifying activities in the economy. This looks at the way people are employed. What are their conditions of work? Are there any rules and regulations that are followed as regards their employment?

Kanta

Kanta works in an office. She attends her office from 9.30 a.m. to 5.30 p.m. She gets her salary regularly at the end of every month. In addition to the salary, she also gets provident fund as per the rules laid down by the government. She also gets medical and other allowances. Kanta does not go to office on Sundays. This is a paid holiday. When she joined work, she was given an appointment letter stating all the terms and conditions of work.



Kamal

Kamal is Kanta's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:30 in the morning and works till 8:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer.



Do you see the differences in the conditions of work between Kanta and Kamal?

Kanta works in the **organised** sector. Organised sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work. They are registered by the government and have to follow its rules and regulations which are given in various laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act etc. It is called

organised because it has some formal processes and procedures. Some of these people may not be employed by anyone but may work on their own but they too have to register themselves with the government and follow the rules and regulations.

Workers in the organised sector enjoy security of employment. They are expected to work only a fixed number of hours. If they work more, they have to be paid overtime by the employer. They also get several other benefits from the employers. What are

Q11. How much percentage of rural households in India are in small and marginal farmer category?

Q12. Besides getting irregular and low paid work, what is faced by tribes and backward communities in unorganised sector?

How to Protect Workers in the Unorganised Sector?

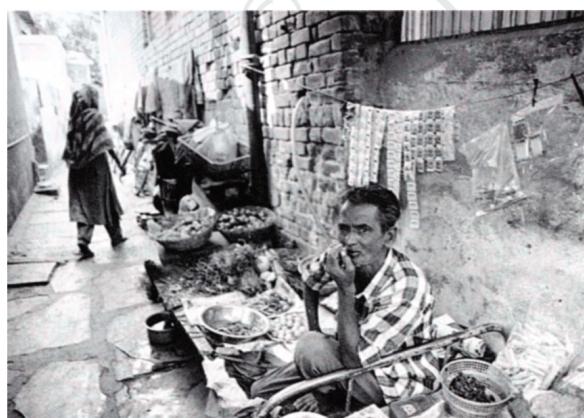
The organised sector offers jobs that are the most sought-after. But the employment opportunities in the organised sector have been expanding very slowly. It is also common to find many organised sector enterprises in the unorganised sector. They adopt such strategies to evade taxes and refuse to follow laws that protect labourers. As a result, a large number of workers are forced to enter the unorganised sector jobs, which pay a very low salary. They are often exploited and not paid a fair wage. Their earnings are low and not regular. These jobs are not secure and have no other benefits.

Since the 1990s, it is also common to see a large number of workers losing their jobs in the organised sector. These workers are forced to take up jobs in the unorganised sector with low earnings. Hence, besides the need for more work, there is also a need for protection and support of the workers in the unorganised sector.

Who are these vulnerable people who need protection? In the rural areas, the unorganised sector mostly comprises of landless agricultural labourers, small and marginal farmers, sharecroppers and artisans (such as weavers, blacksmiths, carpenters and goldsmiths). Nearly 80 per cent of rural households in India are in small and marginal farmer category. These farmers need to be supported through adequate facility for timely delivery of seeds, agricultural inputs, credit, storage facilities and marketing outlets.

In the urban areas, unorganised sector comprises mainly of workers in small-scale industry, casual workers in construction, trade and transport etc., and those who work as street vendors, head load workers, garment makers, rag pickers etc. Small-scale industry also needs government's support for procuring raw material and marketing of output. The casual workers in both rural and urban areas need to be protected.

We also find that majority of workers from scheduled castes, tribes and backward communities find themselves in the unorganised sector. Besides getting the irregular and low paid work, these workers also face social discrimination. Protection and support to the unorganised sector workers is thus necessary for both economic and social development.



When factories close down, many once regular workers are found selling goods or pushing a cart or doing some other odd job

LET'S RECALL

With so many activities taking place around us, one needs to use the process of classification to think in a useful manner. The criterion for classification could be many depending on what we desire to find out. The process of classification helps to analyse a situation.

In dividing the economic activities into three sectors — primary, secondary, tertiary — the criterion used was the 'nature of activity'. On the basis of this classification, we were able to analyse the pattern of total production and employment in India. Similarly, we divided the economic activities into organised and unorganised and used the classification to look at employment in the two sectors.

What was the most important conclusion that was derived from the classification exercises? What were the problems and solutions that were indicated? Can you summarise the information in the following table?

TABLE 2.4 CLASSIFYING ECONOMIC ACTIVITIES

Sector	Criteria used	Most important conclusion	Problems indicated and how they can be tackled
Primary, Secondary, Tertiary	Nature of activity		
Organised, Unorganised			

SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTORS

Another way of classifying economic activities into sectors could be on the basis of who owns assets and is responsible for the delivery of services. In the **public** sector, the government owns most of the assets and provides all the services. In the **private** sector, ownership of assets and delivery of services is in the hands of private individuals or companies. Railways or post office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

Activities in the private sector are guided by the motive to earn profits.

To get such services we have to pay money to these individuals and companies. The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it. Modern day governments spend on a whole range of activities. What are these activities? Why do governments spend on such activities? Let's find out.

There are several things needed by the society as a whole but **which the private sector will not provide at a reasonable cost**. Why? Some of these need spending large sums of money, which is beyond the capacity

of the private sector. Also, collecting money from thousands of people who use these facilities is not easy. Even if they do provide these things they would charge a high rate for their use. Examples are construction of roads, bridges, railways, harbours, generating electricity, providing irrigation through dams etc. Thus, governments have to undertake such heavy spending and ensure that these facilities are available for everyone.

There are some activities, **which the government has to support**. The private sector may not continue their production or business unless government encourages it. For example, selling electricity at the cost of generation may push up the costs of production of goods in many industries. Many units, especially small-scale units, might have to shut down. Government here steps in by producing and supplying electricity at rates which these industries can afford. Government has to bear part of the cost.

Similarly, the Government in India buys wheat and rice from farmers at a 'fair price'. This it stores in its godowns and sells at a lower price to consumers through ration shops. You have read about this in the chapter on Food Security in Class IX. The

government has to bear some of the cost. In this way, the government supports both farmers and consumers.

There are a large number of activities which are the primary responsibility of the government. **The government must spend on these.** Providing health and education facilities for all is one example. We have discussed some of these issues in the first chapter. Running proper schools and providing quality education, particularly elementary education, is the duty of the government. India's size of illiterate population is one of the largest in the world.

Similarly, we know that nearly half of India's children are malnourished and a quarter of them are critically ill. We have read about Infant Mortality Rates. The infant mortality rate of Odisha (41) or Madhya Pradesh (47) is higher than some of the poorest regions of the world. Government also needs to pay attention to aspects of human development such as availability of safe drinking water, housing facilities for the poor and food and nutrition. It is also the duty of the government to take care of the poorest and most ignored regions of the country through increased spending in such areas.

SUMMING UP

In this chapter we have looked at ways of classifying economic activities into some meaningful groups. One way of doing this is to examine whether the activity relates to the primary, secondary or tertiary sectors. The data for India, for the last thirty years, shows that while goods and services produced in the tertiary sector contribute the most to GDP, the employment remains in the primary sector. We have also seen

what all can be done for increasing employment opportunities in the country. Another classification is to consider whether people are working in organised or unorganised sectors. Most people are working in the unorganised sectors and protection is necessary for them. We also looked at the difference between private and public activities, and why it is important for public activities to focus on certain areas.

ANSWERS::

1. Agriculture and related sector
2. Industrial sector
3. Service sector
4. Gross Domestic Product (GDP)
5. Central Government Ministry
6. Service sector
7. Primary sector
8. Agricultural sector
9. 625
10. 100
11. 80%
12. Social Discrimination

QUESTIONS FROM CBSE SQP

18. Which one of the following is an example of Primary sector activity?

- A. Baking
- B. Outsourcing
- C. Farming
- D. Banking

Ans. C-Farming (Pg. 20)

19. Which of the following measures the proportion of literate population in the seven and above age group?

- A. Net Attendance Ratio
- B. Enrolment Rate
- C. Literacy Rate
- D. Drop out Ratio

Ans. C-Literacy Rate (Pg. 10)

20. Which one of the following is the correct meaning of ‘Average Income’?

- A. The total income of the country divided by its earning population.
- B. The total income of the country divided by its total population.
- C. The total income of all the residents of the country.
- D. The total income from the domestic and foreign sources.

Ans. B. The total income of the country divided by its total population. (Pg. 8)

23. Which of the following examples fall under an organized sector?

- A. A daily wage labourer working for a contractor.
- B. An engineer getting all employment benefits.
- C. A cleaning staff in a private school.
- D. A tailor stitching clothes at his home.

Ans. B. An engineer getting all employment benefits. (Pg. 30)

24. Mahatma Gandhi National Rural Employment Guarantee Act 2005 states a guarantee of minimum 100 days of employment per year. If government is unable to fulfil these 100 days of an employment, the government would have to-----

Choose the correct option:

- A. Pay the compensation in lieu of these days
- B. Provide another scheme for the same
- C. Pay at least 1/3 percent allowance
- D. Provide health care as compensation

Ans. A. Pay the compensation in lieu of these days (Pg. 29)

40. Choose the correct option from the following:

List I (Example)

- A. Courier
- B. Fisherman
- C. Carpenter
- D. Transporter

List II (Sector)

- Tertiary Sector
- Secondary Sector
- Primary Sector
- Secondary Sector

Ans. A. Courier Tertiary Sector (Pg. 17)

43. A woman works at a sweet shop in her village on a contract basis and gets meagre salary after working the entire day. She doesn't get any holidays or paid leave, rather her employer deducts her salary whenever she is absent from work. Find out in which of the following sectors she is working?

- A. Primary Sector
- B. Service Sector
- C. Organized Sector
- D. Unorganised Sector

Ans. D- Unorganised Sector (Pg. 22)

44. According to 2017-2018 data, the share of different sectors in employment (percentage) in India was

- Primary Sector - 44%
- Secondary Sector - 25%
- Tertiary Sector - 31%

Out of the three sectors, why did the ratio of employment in Primary Sector high?

Select the most suitable option from the following:

- A. Workers in the Primary Sector are underemployed
- B. Low job opportunities in Secondary Sector
- C. Efforts of labour are not equivalent in all the sectors
- D. Outsourcing of job opportunities in Secondary Sector

Ans. A- Workers in the Primary Sector are underemployed (Pg. 25)

45. Two statements are given in the question below as Assertion (A) and Reasoning (R). Read the statements and choose the appropriate option.

Assertion (A): Crude oil reserves in the entire world are depleting, we need to find a sustainable substitute for it.

Reason (R): Oil and petrol prices are increasing day by day.

Options:

- A. Both A and R are true, and R is the correct explanation of A.
- B. Both A and R are true, but R is not the correct explanation of A.
- C. A is true but R is false.
- D. A is false but R is true.

Ans. B. Both A and R are true, but R is not the correct explanation of A. (Pg. 19)

46. A man is employed on a food processing farm where he has to do a lot of manual work. His wife and daughter also help him in his work on the farm every day. Which type of employment is this an example?
- A. Under employment
 - B. Seasonal employment
 - C. Over employment
 - D. Cyclical employment

Ans. A. Under employment (Pg. 26)

PREVIOUS YEAR QUESTIONS SPECIALLY CONVERTED IN MCQ FORMAT

1. Distinguish between ‘Primary’ and ‘Secondary’ Sector. (2019)

Primary Sector: It covers those activities that involve the production of goods directly using natural resources.

Secondary Sector: It covers those activities in which natural products are changed into other forms through manufacturing. This is the next step after primary activity.

2. When we produce goods by exploiting natural resources, in which category of the economic sector such activities come? (2018)

- A) Primary Sector
- B) Secondary Sector
- C) Tertiary Sector
- D) All of the above

Answer - A

3. Name the sector in which the government owns most of the assets and provides all the services. (2017)

- A) Private Sector
- B) Public Sector
- C) Both (A) and (B)
- D) None of these

Answer - B

4. Classify the economy based on the nature of the activity. (2017)

- A) Primary Sector
- B) Secondary Sector
- C) Tertiary Sector
- D) All of the above

Answer - D

5. Suggest any one way to create employment opportunity in the rural Areas. (2015)

- A) Setting up a dal mill
- B) opening a cold storage
- C) starting or promoting honey collection
- D) All of these

ans-D

6. Name the sector which continued to be the largest employer even in the year 2000.

- A)Primary Sector
- B)Secondary Sector
- C)Tertiary Sector
- D>All of the above

Answer - A

7. How many days of guaranteed employment are provided under National Rural Employment Guarantee Act, 2005? (2014)

- A)50
- B)75
- C)100
- D)125

Answer - C

8. ATM is an example of which sector? (2014)

- A)Primary Sector
- B)Secondary Sector
- C)Tertiary Sector
- D)Organized Sector

Answer - C

9. Production of a commodity, mostly through the natural process, is an activity of which sector? (2013)

- A)Primary Sector
- B)Secondary Sector
- C)Tertiary Sector
- D)Organized Sector

Answer - A

10. Name the sector in which the government owns most of the assets and provides all the services. (2013)

- A)Private Sector
- B)Public Sector
- C)Both (A) and (B)
- D)None of these

Answer - B

11. Why is the ‘tertiary sector’ becoming important in India? Explain any three reasons. (2019,3M)

Ans. The reasons are:-

- First of all in any country several services such as hospitals, educational institutions, banks, transportation etc. are considered as the basic services for any developing country like India.
- As income rises, certain sections of people start demanding more services like tourism, shopping, hospitals, schools etc. This helps in increasing the GDP of the country.
- Over the past decade or so, certain new services such as those based on Information and communication technology have become important and essential in India.

Thus, the tertiary sector becomes very important.

12. How do we count various goods and services for calculation? Gross Domestic Product (G.D.P.) of a country? Explain with example.(2019,3M)

Ans. Gross Domestic Product (GDP) is the market value of the final goods and services produced during a year within the domestic territory of a country. While calculating GDP, final goods and services are counted to avoid the problem of double counting.

For e.g. a farmer sold wheat to a flour mill for ₹ 10 per kg. The mill grinds the wheat and sells the flour to a biscuit company for ₹ 12 per kg. The biscuit company uses the flour, sugar and butter to make 5 biscuit packets. It sold the biscuit to the consumer at ₹ 15 per biscuit packet. Here biscuits are the final goods that are purchased by the consumer. Wheat and Wheat flour are the intermediate goods used in the production of final goods. The value of ₹ 75 already includes the value of flour ₹ 12. Hence, only the value of final goods and services are included in GDP.

13. Distinguish the service conditions of the organized sector with that of the unorganized sector. (2019,3M)

Ans. Organized sector: These sectors are registered by the government and have to follow their rules and regulations.

Unorganized sectors: Such sectors cover small and scattered units which are out of government's control. Major differences between both such units are as follows:

<u>Units of Organised Sector</u>	<u>Units of Unorganised Sector</u>
1. In organised sector workers are covered by the security of employment.	1. These are low paid jobs and often not regular. Employment is not secured.

<p>2.Workers are expected to work only for a fixed number of hours,if they work home.Then they can get overtime payment by the employer.</p>	<p>2.There are no provisions of overtime, paid leave,holidays,leave due to sickness,etc</p>
<p>3.The factories follow government rules such as Factories Act, Minimum Wages Act,Payment of Gratuity Act etc.</p>	<p>3.They do not follow government rules. When there is less work,due to season or other reasons some people may be asked to leave without salary or payment.</p>

14. What is another name for NREGA? (2015)

- A) Right to work
- B) Right to employ
- C) Right to Speak
- D) All of these

Ans-A

15 What is meant by Gross Domestic Product (GDP)? How is GDP measured in India? (2015,3M)

Ans.

- Gross Domestic Product (GDP) of a country is the value of all the final goods and services produced in each sector within a country during a particular year.
- This indicates how big the country's economy is. GDP is measured by the Central Government Ministry. This Ministry, with the help of all the Indian States and Union Territories, collects information relating to the total volume of goods and services and their prices and then makes an estimate of the GDP.

16. Classify the economic sectors on the basis of nature of activities. Mention the main feature of each. (2015,3M)

Ans. On the basis of nature of activities, economic sectors are classified into:

1. Primary Sector
2. Secondary Sector
3. Tertiary Sector

Primary sector forms the base for all other products that we subsequently make. Since most of the natural products we get, are from agriculture, dairy, fishing, forestry, this sector is also called sector for agriculture and related activities (stone quarrying, animal husbandry, etc.)

Secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing. It can take place in a factory, workshop or at home.

Examples:

- (a) Spinning yarn from cotton fibre from plants.
- (b) Making sugar from sugarcane.

It is also called the Industrial sector.

Tertiary sector. Activities in this sector do not produce any goods. This sector produces services that act as aid and support to the Primary and Secondary sectors. Services like administration, police, army, transport, hospitals, educational institutions, post and telegraph, courts, municipal corporation, insurance companies, storage, trade communication and banking are some of the examples of activities of the Tertiary sector. This sector is also known as the Service sector.

17. “The problem of underemployment is not confined only to agriculture”. Support the statement with examples. (2013,3M)

A17. The problem of underemployment is not confined only to agriculture. It can also happen in other sectors.

- For example, there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and other odd jobs. Many of them don't find work everyday.
- Similarly, we see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little. They are doing such work only due to the lack of better employment opportunities.
- The unorganised sector includes small and scattered units outside the government control. Employment is not secure. People can be asked to leave without any reason. When there is less work, such as during some seasons, some people may be asked to leave.

18. What are final goods and intermediate goods? How do they help in calculating (GDP) Gross Domestic Product?

Ans. Final goods are goods that are ultimately consumed by the consumer rather than used in the production of another good.

Intermediate goods are goods used as inputs in the production of final goods and services. For example, a car sold to a consumer is a final good; components such as a tyre sold to the car manufacturer is an intermediate good. The value of final goods already includes the value of all intermediate goods that are used in making the final good.

The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year. And the sum of production in the three sectors gives the Gross Domestic Product (GDP) of a country. It is the value of all final goods and services produced within a country during a particular year.

19. Explain any three ways to solve the problem of underemployment.

(2013,3M)

Ans. There are people who are capable of better work and earning more than what they are getting. The reason for this is that better jobs for which they are qualified are not available. Such people are termed as underemployed, e.g., a graduate teacher driving a taxi. Underemployment is most prevalent in the primary or agricultural sector.

Three ways to solve the problem of underemployment:

1. Provision of loans may help in creating jobs for disguised unemployed and underemployed workers. The loan money can be used for the promotion of economic activity of the family adding to the family's earning or for setting up a cottage industry.

2. Another way is to promote and locate industries and services in semi-rural areas where a large number of people may be employed.

Example, Setting up a dal mill, opening a cold storage, starting or promoting honey collection.

3. If local banks give credit to farmers at a reasonable rate of interest, they will be able to buy agricultural inputs and increase productivity.

4. Centres for vegetables and fruit processing, health centres, educational institutions, tourism and IT centres will certainly help in creating jobs.

20. Why didn't shift out of primary sector happen in case of employment although there has been a change in the share of the three sectors in GDP? (2013,3M)

Ans. A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment.

1. A similar shift out of primary sector did not happen in case of employment because not enough jobs were created in the secondary and tertiary sectors.
2. Even though industrial output or the production of goods went up by eight times during the period, employment in the industry went up by only 2.5 times.
3. While production in the service sector rose by 11 times, employment in the service sector rose less than three times.

As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP.

21. ‘Tertiary sector is playing a significant role in the development of the Indian Economy’. Justify the statement. (2021,5M)

A21.

- (i) Basic services: Services such as hospitals, educational institutions, post and telegraph services, transport, banks, insurance companies, are in this group.
- (ii) Development of primary and secondary sector: The development of agriculture and industry leads to the development of services such as transport, trade and storage.
- (iii) Rise in income levels: As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools and professional training centres.
- (iv) Rise in information technology: Over the past decade or so, certain new services, such as those based on information and communication technology have become important and essential.
- (v) Globalization: Due to globalization, people have become aware of new services and activities, and communication because of which the tertiary sector has gained importance.

22. 'Public sector contributes to the economic development of India.' Justify the statement. (2020,5M)

- Ans- (i) It promotes rapid economic development through creation and expansion of infrastructure.
- (ii) It creates employment opportunities.
- (iii) It generates financial resources for development.
- (iv) It is ensuring equality of income, wealth and thus, a balanced regional development.
- (v) It encourages development of small, medium and cottage industries.

23. Show how tertiary sector has emerged as the largest producing sector in India. (2019,5M)

Ans. Importance of Tertiary Sector :

- i. Basic services like hospitals, educational institutions, defence, and transport are the part of tertiary sector.
- ii. Development of agriculture and industry leads to the development of services.
- iii. As the income level rises, tourism, shopping, private schools and professional training also expands. People start demanding more services this leads to the expansion of the tertiary sector.
- iv. Information and communication technology also play an important role in this expansion.
- v. Large number of workers are engaged in this sector, as the demand for services grow.

24. Compare the economic activities of the private sector with that of the public sector. (2019,5M)

A24.

Private Sector	Public sector
1. Ownerships of assets and delivery of services is in the hands of private individuals or companies.	1. The government owns most of the assets and provides all services.
2. Their main motive is to earn a profit.	2. Their main motive is public welfare rather than to earn profit.
3. The decision regarding production and distribution are taken by managers or owners of the company.	3. The decision regarding production and distribution are taken by the government

4.Due to motive of earning a profit,it does not invests funds to construct infrastructures for public utility/facility.	4..Due to motive of public welfare,it invests fund to construct infrastructures for public utility/facility,like the construction of roads,bridges,etc.
5.Examples:Tata iron and steel company Ltd.(TISCO).Reliance Industries Ltd.etc.	4.Examples:railways,post office,police station,etc.

25. “There are several things needed by the society as a whole”.In the light of this statement explain as to who can provide them at a reasonable cost, the private or the public sector and why? (2017,5M)

Ans. Society as a whole needs several things which the private sector will not be able to provide at a reasonable cost.

Reasons for this are:

1. Activities in the private sector are guided by the motive to earn profits and not welfare of the people.
2. There are several services needed by the society which the private sector cannot provide at a reasonable price. Activities like construction of roads, bridges, railways, irrigation through dams, etc., require huge amount of money which is beyond the capacity of the Private sector. Private sector charges high rates for the use of these services.
3. It is difficult for the Private sector to collect money from thousands of people who use these services.
4. The Private sector sometimes ignores regional balanced development, equality of income and development of basic industries.
5. Private sector charges include profit margins whereas the government will charge a reasonable price for services. It is the primary duty of the government to ensure the provision of public facilities with a service motto.

26. How can employment be increased in both rural and urban areas? Explain. (2017,5M)

Ans. Ways to provide more employment opportunities in rural areas:

- 1.Promote and locate industries and services in semi-rural areas where a large number of people may be employed. For example, setting up a dal mill, opening a cold storage, starting or promoting honey collection.
2. Promoting small-scale industries, small-scale manufacturing units,

agro-processing industries and providing loans for the same. The government/banks can provide loans at cheap rates to the small farmers to improve their irrigation facilities so that they can get two or three crops a year instead of one. Thus more people can be employed in the same field.

3. If more dams are built and canal water is provided to all the small farmers, then a lot of employment can be generated in the agricultural sector.

4. If more money is spent on transportation and storage, then not only small farmers will be benefited but many more people can be employed in the transport and storage sector.

5. Investing more in tourism and employing more youth in this sector.

27. Explain the importance of the service sector. (2017,5M)

Ans. Tertiary sector or service sector plays a very significant role and its importance is rising day by day:

1. Greater the development of primary sector and secondary sector more would be the demand for services.
2. Tertiary sector has become the largest producer in India because various kinds of services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, transport, banks, insurance companies etc. are required.
3. Even development of agriculture and industry leads to the development of services such as transport, trade and storage etc.
4. With the rise in income, demand for more services is rising.

For example, eating out in restaurants, tourism, malls and shopping complexes, schools, professional training.

5. New services like Information Technology and outsourcing have become very important for modern day trade and industry.

Unfortunately, the rapid growth of the service sector in India has not yet shown the expected corresponding increase in employment.

28. Explain with suitable examples how public sector contributes(2017) to the economic development of the nation.

A28. Role of Public sector in economic development. The Public sector is that sector of the economy in which the government owns most of the assets and provides all the services, e.g., railways, post and telegraph.

1. It promotes rapid economic development through creation and expansion of infrastructure.

2. The public sector provides various services and facilities like construction of roads, bridges, railways, irrigation through dams, etc. where heavy spending is required.
3. A large number of activities are a primary responsibility of the government like schools, hospitals, housing, safe drinking water, etc.
4. Certain activities are meant to be supported by the government, like providing electricity to small scale industries at low prices, supply of food to the poor, etc. It encourages development of small, medium and cottage industries.
5. It ensures availability of goods and services at moderate rates and also contributes to community development through creation and expansion of infrastructure.

29. State any five features each of public sector and private sector.

(2015,5M)

Ans. Public Sector:

1. The government owns most of the assets.
2. All the services are provided by the government.
3. The main motive of the public sector is the welfare of the people (masses). Activities are guided by the interest of the nation as a whole.
4. Employees feel secured and there is discipline and regular work.
5. Governments raise money through taxes and other means.
6. For example, railways, post offices, construction of roads, bridges, harbours, dams, etc.

Private Sector:

1. In the private sector, ownership of assets is in the hands of private individuals or companies.
2. Services are provided or are in the hands of individuals.
3. Activities in the private sector are guided by the motive to earn profits and not welfare of the people.
4. Jobs of the employees are less secured and the whims of the owners are above all.
5. Private sector charges high rates for the use of services provided by them.
6. For example, Companies like Tata Iron and Steel Co.(TISCO), Reliance

Industries, etc

30. Define tertiary sector. Describe about the different kinds of people employed in this sector in India. (2014,5M)

A30.Activities in this sector do not produce any goods. This sector produces services that act as aid and support to the primary and secondary sector. Services like administration, police, army, transport, hospitals, educational institutions, post & telegraph, courts, municipal corporation, banking & insurance, storage, trade and communications are examples of activities in the tertiary sector. This sector is also known as the Service Sector.

1. The first kind of people are the highly skilled and educated people providing specialised services. E.g., doctors, lawyers, accountants, etc. There are a limited number of services that employ highly skilled and educated workers and offer big salaries.
2. There are also a very large number of workers engaged in services, such as small shopkeepers, repair persons, transport persons. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them. Hence, only a part of this sector is growing in importance.

ANSWERS:

- 1.
2. A
3. B
4. D
5. D
6. A
7. C
8. C
9. A
10. B
- 11.
- 12.
- 13.
14. A

